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Dept. Of Commerce & Insurance  
Company Examinations

Report of Examination  
of  
Farmers Mutual Fire Insurance Company of Union County  
Maynardville, Tennessee

Ruth Sexton, Secretary  
140 Court Street  
Maynardville, TN 37807

Examination made as of: December 31, 2003

Examiner in Charge: Donnie R. Nicholson, Examiner III

Examination commenced: February 15, 2004

Examination completed: June 19, 2004

Examined as of: December 31, 2003

Last Examination as of: December 31, 1999

EXHIBIT

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Commissioner Paula A. Flowers  
Department of Commerce and Insurance  
State of Tennessee  
Nashville, Tennessee 37243

Commissioner:

Pursuant to your instructions, I have made an examination and submit the following report of the conditions and affairs of the.

**Farmers Mutual Fire Insurance Company of Union County**

**Maynardville, Tennessee**

**Officers**

<b>Title</b>	<b>Name</b>	<b>Address</b>	<b>Term</b>
President	James G. Sexton	Maynardville, TN	2005
Vice President	V. H Kitt Jr.	Maynardville, TN	2004
Secretary & Treasurer	Ruth Sexton.	Maynardville, TN	2004

**Directors:**

<b>Name</b>	<b>Address</b>	<b>Term Expires</b>
James G. Sexton	Maynardville, TN	2005
Thomas D. Chesney	Washburn, TN	2004
Ruth Sexton	Maynardville, TN	2004
Michael Shoffner	Maynardville, TN	2004
William F. Hensley	Luttrell, TN	2004
Rex Middleton	Luttrell, TN	2004

**Compensation of officers, directors, appraisers, adjusters, et al:**

President \$75.00 per month

Secretary / Treasurer \$775.00 each 2 week period

Directors \$25.00 per adjustment and \$40.00 per meeting attended plus mileage

Agents .80 per each \$100.00 written plus 34.5 cents per mile travel allowance

**Report of changes in the Constitution or By-Laws, policy forms, or other agreements during the period covered by this examination.**

None

**If copies have not been filed with the Department of Commerce and Insurance, are they filed with the work papers of this report?**

N/A

**Report on reinsurance assumed and / or ceded.**

The Company has a Property First Surplus Agreement with Farmer Mutual of Tennessee  
Effective: January 1, 1999

Net Retention and Limits

Cessions hereunder shall not exceed three times the Company's net retention nor \$90,000 on any one risk.

However, the Company shall have the option to cede up to 50% of any property risk written by the Company provided the amount ceded to the Reinsurer does not exceed \$90,000.

The Company shall be the sole judge of what constitutes one risk and the net retention appropriate thereto.

**Appraisal and classification of risks taken.**

2/3 or up to \$30,000.00

**Annual rate of assessment per \$1,000.00 for period covered:**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Fire	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00

Regular Mobile Homes    same as above

Superior Mobile Homes    same as above

Double Wide Mobile Homes    same as above

**Rate of membership, policy and initial fees charged.**

\$8.00 per \$1,000.00 of what the Agent and Director appraises the property for.

**Date of last assessment.**

The Company makes assessments quarterly based on the anniversary date of the policy.

**Amount delinquent.**

There have never been any delinquencies. The Company cancels policies if assessments are not paid within 60 days of notification.

**Did that assessment provide for all losses, expenses and other liabilities, including borrowed money?**

Yes

**Amount of money borrowed since date of last assessment.**

None

**Location of Books and Records**

140 Court Street  
Maynardville, TN 37683

### Exhibit of Risks

	<u>Amount</u>
1. In force, December 31, 2002	\$14,828,322.00
2. Written in 2003	306,000.00
3. Renewed	10,000.00
4. Total	<u>\$15,144,322.00</u>
5. Deduct those expired and marked off as terminated	(676,000.00)
6. In Force December 31, 2003	\$14,468,322.00
7. Amount Reinsured	(65,000.00)
8. Net Amount In-Force December 31, 2003	<u>\$14,533,322.00</u>

### Financial Statement

#### Income

Gross Membership Fees	\$2,208.00
Deduct Return Membership Fees	0
Net Membership Fees	<u>\$2,208.00</u>
Gross Assessments	\$102,642.66
Deduct : Reinsurance Premiums	0
Net Assessments	<u>\$102,642.66</u>
Interest	\$25,200.01
Transfer Fees	\$20.00
Renewal Fees	\$60.00
Total Income	<u>\$130,130.67</u>
Ledger Assets, December 31, 2002	\$1,355,033.29
Total Income and Balance	<u>\$1,485,163.96</u>

### Disbursements

Gross amount paid policyholders for losses	\$3,828.69
Deduct : Reinsurance paid	0
Net Amount paid policyholders for losses	<u>\$3,828.69</u>
Expenses of adjustment and settlement of losses	0
Commission or brokerage, including membership fees	0
Retained by agent	\$2,208.00
Salaries and compensation of officers, directors, & employees	\$21,869.55
Printing and stationery & Advertising	\$882.90
Utilities	\$3,014.32
Insurance department licenses and fees	\$2,496.22
All other licenses, fees and taxes	\$3,300.21
Re-Insurance Refunds	\$654.96
Company paid to agent	\$50.00
Office expenses, repairs and insurance	\$2,237.50
Total disbursements	<u>\$46,851.45</u>
Balance	<u>\$1,438,312.51</u>

### Assets

Cash in banks (checking)	\$22,158.91
Cash in banks (savings)	\$1,398,153.60
Book value of real estate	\$18,000.00
Total admitted assets	<u>\$1,438,312.51</u>

### Liabilities

Total Liabilities	<u>\$-0.00-</u>
Surplus over all liabilities	\$1,438,312.51
Total	<u>\$1,438,312.51</u>

**Schedule of Bank Deposits:**

Name of Bank	Amount on Bank Statement	Amount of O/S Checks	Adjustments Items	Balance
Commercial Bank checking	\$22,158.91	0	0	\$22,158.91
Commercial Bank CD				\$76,627.69
Commercial Bank Savings	\$480.46			\$480.46
First Tennessee Bank CD				\$16,199.00
First Tennessee Bank CD				\$15,000.00
First Tennessee Bank CD				\$29,995.83
First Tennessee Bank CD				\$13,000.00
First Century CD				\$18,136.71
First Century CD				\$20,000.00
First Century CD				\$16,000.00
First Century CD				\$45,000.00
Citizens CD				\$52,190.10
Citizens CD				\$34,374.53
Citizens CD				\$13,628.74
K-25 Credit Union Savings				\$439.48
K-25 Credit Union CD				\$93,343.92
Home Federal CD				\$67,133.09
Home Federal CD				\$33,626.75
FSG CD				\$50,000.00
FSG CD				\$49,872.36
NBC CD				\$60,000.00
NBC CD				\$40,626.82
Sun Trust CD				\$10,000.00
Sun Trust CD				\$42,000.00
Sun Trust CD				\$10,000.00
Sun Trust CD				\$15,000.00
Bank of America CD				\$57,597.47
Y-12 Credit Union CD				\$54,095.66
Y-12 Credit Union CD				\$56,468.76
Am South CD				\$73,881.42
Community Bank CD				\$104,729.42
Union Planters CD				\$66,151.86
TN Bank of Oak Ridge CD				\$62,003.92
ORNL CD				\$50,391.91
ORNL base share				\$5.02
ORNL CD				\$50,152.48
<b>Total</b>				<b>\$1,420,312.51</b>

**Schedule and description of all other assets, including real estate, mortgage loans, bonds, etc., and interest or rents due or accrued thereon:**

Real Estate                \$18,000.00

**Assets pledged or hypothecated:**

None

**Comments on claims, borrowed money and other liabilities:**

N/A

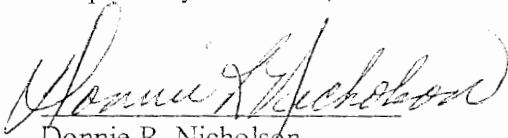
**Comments on acts of officers and directors; any apparent violations of the Association's By-Laws, or of the laws of the State of Tennessee; general comments regarding the conduct of business:**

Section 5 of the Company's by-laws requires a Board of Directors of ten (10) members. The Company had only 6 Directors

With regard to Tenn.Code Ann. § 56-21-122, there are no violations since those persons receiving compensation for policy applications are not involved in the final acceptance or rejection decision.

The Company appears to be well managed by the Directors and Secretary / Treasurer, and operated in the best interest of the policy holders. The complete and courteous cooperation of Ms. Ruth Sexton, Secretary and Treasurer, extended during the course of the examination is hereby acknowledged.

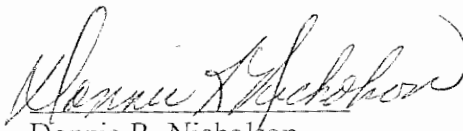
Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Donnie R. Nicholson", is written over a horizontal line.

Donnie R. Nicholson  
Insurance Examiner in Charge

**Examination Affidavit:**

The undersigned deposes and says that he has duly executed the attached examination report of The Farmers Mutual Fire Insurance Company of Union County, Maynardville, Tennessee dated and made as of December 31, 2003, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.



Donnie R. Nicholson  
Insurance Examiner  
State of Tennessee

County Davidson  
State Tennessee

Subscribed and sworn to before me  
this 18th day of  
June, 2004.

Helen M. Darsey  
(Notary)

My Commission expires 03/25/06